CREW
DEVELOPMENT CORPORATION

Formerly Canadian Crew Energy Corporation
(a development stage company)

ANNUAL FINANCIAL STATEMENTS
FEBRUARY 28, 1997

The Crew Group of Companies is a Vancouver, British Columbia based international resource development group with operations in Canada, southern Africa, England and Thailand. Founded, in 1986, by Mr. John M. Darch and Dr. Gerald D. Wright, the group has significant interests in four public companies listed on stock exchanges in Canada, the United States and Germany.

The Crew Group adopts a strategy of developing long term projects with the potential to have major industry impact, particularly within geographical contexts. The Group's ability to identify and acquire such strategic projects is sustained by its technical and financial expertise; and the companies comprising the Group receive the full financial and management commitment of its principals.

CREW
DEVELOPMENT CORPORATION

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EXCHANGE and SYMBOL
Vancouver Stock Exchange - CRU.V
Toronto Stock Exchange - CRU.T
Pacific Stock Exchange - CRU.P
Frankfurt Stock Exchange - KNC.F
Stuttgart Stock Exchange - CRU.S

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The Crew Group of Companies comprises Crew Development Corporation, Asia Pacific Resources Ltd., Botswana Diamondfields Inc. and South Crofty Holdings Ltd.

Asia Pacific Resources Ltd. is an internationally listed resource development company currently finalizing a financing to construct a 2 million tonne per annum potash mine in northeastern Thailand, strategically located to supply the rapidly growing Asian markets.

Botswana Diamondfields Inc. is a diversified junior diamond mining company active in Angola and Botswana. A strong treasury and debt-free position make it possible to pursue vigorously other exploration and undervalued production opportunities.

South Crofty Holdings Ltd. owns and operates the last remaining tin mine in England. Operations are presently being wound down as the mine has reached the end of its economic life. Management is pursuing other opportunities to add value for the shareholders.

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Crew Development Corporation - formerly Canadian Crew Energy Corporation - see Note 9
(a development stage company)

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Auditors' Report

To the Shareholders of
Crew Development Corporation
(formerly Canadian Crew Energy Corporation)
(A development stage company)

We have audited the consolidated balance sheets of Crew Development Corporation (formerly Canadian Crew Energy Corporation) (a development stage company) as at February 28, 1997 and August 31, 1996 and the consolidated statements of income and deficit and changes in financial position for each of the fiscal periods ended February 28, 1997, August 31, 1996 and 1995 and cumulative from inception to February 28, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 1997 and August 31, 1996 and the results of its operations and the changes in its financial position for each of the fiscal periods ended February 28, 1997, August 31, 1996 and 1995 and cumulative from inception to February 28, 1997 in accordance with accounting principles generally accepted in Canada. As required by the Company Act of British Columbia, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

CHARTERED ACCOUNTANTS CA

Richmond B.C.,
Canada

June 27, 1997

***Crew Development Corporation* -** formerly Canadian Crew Energy Corporation - see Note 9
(a development stage company)

Consolidated Balance Sheets

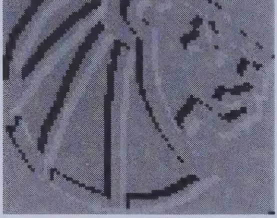
(expressed in Canadian dollars)

As at			**February 28, 1997**		August 31, 1996 (restated)
Assets					
Current assets					
Cash		$	**1,425,811**	$	1,983,062
Accounts receivable			**24,400**		7,347
Due from affiliated companies			**666**		-
			1,450,877		1,990,409
Security deposit, at cost			**64,500**		64,500
Investment in Geothermal Project	(Notes 2,3)		**1**		3,912,304
Deferred project costs, at cost			**18,439**		-
Investment in shares of affiliated companies, at cost			**999,995**		-
Capital assets	(Note 4)		**62,235**		56,623
		$	**2,596,047**	$	6,023,836
Liabilities and Shareholders' Equity					
Current liabilities					
Accounts payable and accrued liabilities		$	**63,698**	$	74,481
Due to affiliated companies			**166,519**		8,113
			230,217		82,594
Shareholders' equity					
Share capital	(Note 5)		**17,935,903**		17,237,278
Deficit			**(15,570,073)**		(11,296,036)
			2,365,830		5,941,242
		$	**2,596,047**	$	6,023,836
Subsequent events	(Note 12)				

On behalf of the board:

Peter D. Barnes — Director

Gerald D. Wright — Director



Crew Development Corporation **-** formerly Canadian Crew Energy Corporation - see Note 9
(a development stage company)

Consolidated Statements of Income and Deficit

(expressed in Canadian dollars)

	Cumulative from inception to February 28, 1997	**6 months ended February 28, 1997**	Year ended August 31, 1996	Year ended August 31, 1995
Earnings from oil and gas operations	$ 66,555	**$ -**	$ -	$ -
Interest and other income	487,056	**30,748**	193,797	123,624
	553,611	**30,748**	193,797	123,624
Expenses				
Administration, office and general	5,018,081	**276,902**	418,542	302,510
Amortization and depletion	855,897	**7,504**	10,487	14,151
Professional fees	1,763,012	**108,076**	141,581	295,085
	7,636,990	**392,482**	570,610	611,746
Loss before the undernoted	(7,083,379)	**(361,734)**	(376,813)	(488,122)
Write-down of investment in Geothermal Project net of gain on disposition of portion of interest	(2,427,312)	**(3,912,303)**	-	-
Loss on disposition and write-down of oil and gas properties	(4,737,542)	**-**	(22,991)	-
Loss on disposition and write-down of capital assets	(770,423)	**-**	(18,640)	-
Write-down and abandonment of mineral properties	(430,099)	**-**	-	-
Legal settlement	(111,983)	**-**	-	-
Write-down of investments	(9,335)	**-**	-	-
Net loss for the fiscal period	(15,570,073)	**(4,274,037)**	(418,444)	(488,122)
Deficit, beginning of fiscal period	-	**(11,296,036)**	(10,877,592)	(10,389,470)
Deficit, end of fiscal period	$ (15,570,073)	**$ (15,570,073)**	$ (11,296,036)	$ (10,877,592)
Loss per share		**$ (0.35)**	$ (0.04)	$ (0.05)
Weighted average number of shares outstanding		**12,128,923**	11,270,361	10,070,434

Crew Development Corporation - formerly Canadian Crew Energy Corporation - see Note 9
(a development stage company)

Consolidated Statements of Changes in Financial Position

(expressed in Canadian dollars)

	Cumulative from inception to February 28, 1997	**6 months ended February 28, 1997**	Year ended August 31, 1996	Year ended August 31, 1995
Operating activities				
Net loss for the fiscal period	$ (15,570,073)	**$ (4,274,037)**	$ (418,444)	$ (488,122)
Add items not affecting cash:				
- Amortization and depletion	855,897	**7,504**	10,487	14,151
- Write-down of investment in Geothermal Project, net of gain on disposal of portion of interest	2,427,312	**3,912,303**	-	-
- Loss on disposition and write-down of oil and gas properties	4,737,542	-	22,991	-
- Loss on disposition and write-down of capital assets	770,423	-	18,640	-
- Write-down and abandonment of mineral properties	430,099	-	-	-
- Write-down of investments	9,335	-	-	-
	(6,339,465)	**(354,230)**	(366,326)	(473,971)
Net change in non-cash working capital	205,151	**129,904**	(6,232)	(9,046)
Cash required by operations	(6,134,314)	**(224,326)**	(372,558)	(483,017)
Financing activities				
Issuance of common shares	17,935,903	**698,625**	1,446,900	3,237,330
Investing activities				
Security deposit	(64,500)	-	-	-
Expenditures on Geothermal Project	(3,677,451)	-	(795,082)	(1,642,033)
Proceeds on disposition of portion of interest in Geothermal Project	1,750,000	-	-	-
Investment in shares of affiliated companies	(999,995)	**(999,995)**	-	-
Acquisition of investments	(21,894)	-	-	-
Proceeds on disposition of investments	12,559	-	-	-
Acquisition of subsidiary, net of cash acquired	(499,860)	-	-	-
Expenditures on oil and gas properties, net of recoveries	(4,742,423)	-	-	-
Expenditures on mineral properties	(448,538)	**(18,439)**	-	-
Acquisition of capital assets	(2,058,928)	**(13,116)**	(44,285)	(7,925)
Proceeds on disposition of capital assets	375,252	-	-	-
	(10,375,778)	**(1,031,550)**	(839,367)	(1,649,958)
Net cash inflow (outflow)	1,425,811	**(557,251)**	234,975	1,104,355
Cash, beginning of fiscal period	-	**1,983,062**	1,748,087	643,732
Cash, end of fiscal period	$ 1,425,811	**$ 1,425,811**	$ 1,983,062	$ 1,748,087

Notes to Consolidated Financial Statements

(expressed in Canadian dollars)

As at February 28, 1997 and August 31, 1996, the 6 months ended February 28, 1997, the years ended August 31, 1996 and 1995, and cumulative from inception to February 28, 1997.

Note 1 Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which, in the case of the Company, conform in all material respects with accounting principles generally accepted in the United States of America ("U.S. GAAP"), except as explained in Note 11. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The significant accounting policies used in these consolidated financial statements are as follows:

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Crew Energy U.S.A., Inc. (inactive) and Meager Creek Development Corporation. All intercompany transactions and balances have been eliminated.

b) Capital assets

Capital assets are carried at cost less accumulated amortization and are amortized using the diminishing balance method over the estimated useful lives at annual rates as follows:

Computer equipment	30%
Office equipment, furniture and fixtures	20%

c) Investment in Geothermal Project

The Company's 43% interest in Pacific Geopower Joint Venture (the "Geothermal Project") (Note 3) is accounted for using the proportionate consolidation basis in accordance with generally accepted accounting principles in Canada.

All acquisition and development costs of the project and related administrative costs are capitalized by the Joint Venture until either commercial production is established or a decision is made to abandon the property or offer it for sale.

In October, 1995, the Joint Venture completed an exploratory well and performed certain testing. Since that time, no further development activities have taken place and the Joint Venture has not determined whether the property contains an economically recoverable source of energy. Although management still believes in the long-term viability of the project, further exploration and development programs have been deferred until a more favourable market climate for independent power producers is foreseen in British Columbia. Accordingly the carrying value of the investment in the Geothermal Project has been written-down to a nominal amount.

Notes to Consolidated Financial Statements

(expressed in Canadian dollars)

As at February 28, 1997 and August 31, 1996, the 6 months ended February 28, 1997, the years ended August 31, 1996 and 1995, and cumulative from inception to February 28, 1997.

Note 1 Significant Accounting Policies (continued)

d) Comparative figures

The comparative figures have been reclassified where appropriate to conform with the presentation used in the current fiscal period and have been restated to account for the retroactive change in accounting policy for the Investment in Geothermal Project.

Note 2 Investment in Geothermal Project

During the year ended August 31, 1989 the Company acquired from Meager Creek Development Corporation ("MCDC"), an affiliated company, the rights to develop geothermal resources leased by MCDC and various other assets, for cash of $475,000. During the year ended August 31, 1990 the Company sold a 40% interest in the Geothermal Project for cash proceeds of $1,750,000. The Company subsequently repurchased this 40% interest during the year ended August 31, 1991 by the issue of 1,250,000 common shares with a deemed value of $500,000.

During the year ended August 31, 1992 the Company acquired 100% of the issued and outstanding shares of MCDC. MCDC held a licence of occupation granted by the British Columbia Ministry of Lands and Parks, giving surfaces tenure to property at the geothermal site. In addition, MCDC held a geothermal lease granted by the British Columbia Ministry of Energy, Mines and Petroleum Resources relating to the geothermal site. The licence of occupation and the geothermal lease expire December 17, 2017.

Pacific Geopower Joint Venture was formed on March 26, 1993 between Guy F. Atkinson Holdings Limited ("Atkinson") and the Company (the "Joint Venturers"). Its business purpose is the exploration and development of a geothermal resource property (the "Property") located near Meager Creek, British Columbia, and the development of commercial geothermal power generating facilities on this property. The Company's earn-in contribution was satisfied by the transfer of the geothermal lease to the Joint venture and Atkinson's earn-in contribution of $6.5 million was satisfied during 1995 by direct expenditures in the development of the project.

The Company has also agreed to place all of the issued and outstanding shares of MCDC in escrow for the benefit of the Joint Venture.

In October, 1995 the Joint Venture completed an exploratory well and performed certain testing. No further development activities have since taken place and as referred to in Note 1c above, the Company's proportionate share has been written-down to a nominal amount.

Notes to Consolidated Financial Statements

(expressed in Canadian dollars)

As at February 28, 1997 and August 31, 1996, the 6 months ended February 28, 1997, the years ended August 31, 1996 and 1995, and cumulative from inception to February 28, 1997.

Note 2 Investment in Geothermal Project (continued)

The financial statements include the following assets, liabilities, revenues and expenses of the Joint Venture:

	February 28, 1997 and the 6 months then ended	August 31, 1996 and the year then ended
Current assets	**$ 27,755**	$ 61,368
Long-term assets	**64,500**	64,500
Investment in Geothermal Project	**1**	3,912,304
Current liabilities	**(215)**	(33,828)
Net equity	**$ 92,041**	$ 4,004,344
Revenues	**$ -**	$ -
Expenses	**-**	-
Net loss for the year	**$ -**	$ -

Note 3 Change in Accounting Policy

During the year the Company determined that it exercises joint control over its 43% interest in the Geothermal Project and as a result changed its accounting policy to record its interest on the proportionate consolidation basis. Previously the company had accounted for this investment on the equity basis. This change was applied retroactively with the effect that net assets and liabilities as at August 31, 1996 were each increased by $125,868.

Notes to Consolidated Financial Statements

(expressed in Canadian dollars)

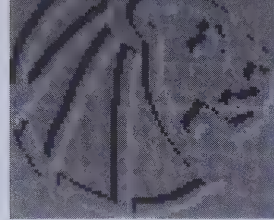
As at February 28, 1997 and August 31, 1996, the 6 months ended February 28, 1997, the years ended August 31, 1996 and 1995, and cumulative from inception to February 28, 1997.

Note 4 Capital Assets

Capital assets comprise:

	February 28, 1997		
	Cost	Accumulated Amortization	**Net Book Value**
Computer equipment	$ 38,278	$ 14,641	**$ 23,637**
Office equipment, furniture and fixtures	84,039	45,441	**38,598**
	$ 122,317	$ 60,082	**$ 62,235**

	August 31, 1996		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 31,314	$ 11,085	$ 20,229
Office equipment, furniture and fixtures	77,887	41,493	36,394
	$ 109,201	$ 52,578	$ 56,623



Crew Development Corporation **-** formerly Canadian Crew Energy Corporation - see Note 9
(a development stage company)

Notes to Consolidated Financial Statements

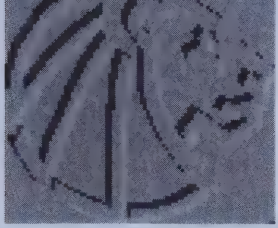
(expressed in Canadian dollars)

As at February 28, 1997 and August 31, 1996, the 6 months ended February 28, 1997, the years ended August 31, 1996 and 1995, and cumulative from inception to February 28, 1997.

Note 5 Share Capital

a) The Company's authorized share capital consists of 49,700,000 common shares without par value. Details of the share capital transactions from inception of March 30, 1980 to February 28, 1997 are as follows:

	Number of shares	Amount
Issued on incorporation	1	$ 1
Issued for cash	550,000	202,500
Issued for mineral property	750,000	7,500
Balance, August 31, 1981	1,300,001	210,001
Issued for cash	175,000	35,000
Balance, August 31, 1982	1,475,001	245,001
Issued for cash on public offering	400,000	120,000
Balance, August 31, 1983	1,875,001	365,001
Issued for cash on exercise of warrants	290,600	130,770
Balance, August 31, 1984	2,165,601	495,771
Issued for cash on private placement	191,560	57,520
Issued for cash to directors on private placement	168,450	50,535
Issued in settlement of debt	56,600	20,536
Issued to directors in settlement of debt	90,200	32,472
Balance, August 31, 1985	2,672,411	656,834
Issued in settlement of debt	113,200	45,700
Balance, August 31, 1986	2,785,611	702,534
Issued for cash	3,090,000	630,900
Balance, August 31, 1987	5,875,611	1,333,434
Share consolidation (1 for 5)	(4,700,489)	-
	1,175,122	1,333,434
Issued for cash on private placement	1,270,000	2,513,500
Issued for cash on exercise of warrants	1,058,000	2,300,494
Issued for acquisition of capital assets	200,000	260,000
Balance, August 31, 1988 (carried forward)	3,703,122	$ 6,407,428



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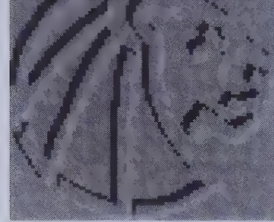
Notes to Consolidated Financial Statements

(expressed in Canadian dollars)

As at February 28, 1997 and August 31, 1996, the 6 months ended February 28, 1997, the years ended August 31, 1996 and 1995, and cumulative from inception to February 28, 1997.

Note 5 Share Capital (continued)

	Number of shares	Amount
Balance, August 31, 1988 (brought forward)	3,703,122	$ 6,407,428
Issued for cash on private placement	400,000	860,000
Issued for cash on flow-through share agreements	440,000	1,430,000
Balance, August 31, 1989 and 1990	4,543,122	8,697,428
Issued for cash on private placement	1,000,000	580,000
Issued for cash on exercise of warrants	275,000	159,500
Issued for cash on exercise of stock options	30,000	22,500
Balance, August 31, 1991	5,848,122	9,459,428
Issued for cash on exercise of warrants	725,000	445,250
Issued for cash on exercise of stock options	198,000	85,870
Issued for cash on private placement	125,000	130,000
Issued for acquisition of subsidiary (Note 2)	1,250,000	500,000
Balance, August 31, 1992	8,146,122	10,620,548
Issued for cash on exercise of warrants	125,000	130,000
Issued for cash on exercise of stock options	148,000	161,000
Issued for cash on private placement	50,000	127,500
Issued for cash on private placements	450,000	1,335,000
Balance, August 31, 1993	8,919,122	12,374,048
Issued for cash on exercise of stock options	415,000	179,000
Balance, August 31, 1994	9,334,122	12,553,048
Issued for cash on exercise of stock options	251,500	237,330
Issued for cash on private placement	1,000,000	3,000,000
Balance, August 31, 1995	10,585,622	15,790,378
Issued for cash on exercise of stock options	10,000	6,900
Issued for cash on private placement	1,500,000	1,440,000
Balance, August 31, 1996	12,095,622	17,237,278
Issued for cash on exercise of stock options	517,500	698,625
Balance, February 28, 1997	**12,613,122**	**$ 17,935,903**



Notes to Consolidated Financial Statements

(expressed in Canadian dollars)

As at February 28, 1997 and August 31, 1996, the 6 months ended February 28, 1997, the years ended August 31, 1996 and 1995, and cumulative from inception to February 28, 1997.

Note 5 Share Capital (continued)

b) During the year ended August 31, 1995, the Company issued 1,000,000 shares pursuant to a private placement with a company related by directors in common for cash proceeds of $3,000,000. In addition, the investor received warrants to purchase an additional 1,000,000 shares at a price of $3.00 per share until February 3, 1997. These warrants expired without exercise during the current fiscal period.

During the year ended August 31, 1996 the Company issued 1,500,000 units pursuant to a private placement with two directors at $0.96 per share for cash proceeds of $1,440,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase an additional share at a price of $1.20 per share until March 19, 1998. These warrants are outstanding at February 28, 1997.

c) Stock options

From time to time, the Company grants incentive stock options to officers, directors, employees and consultants to purchase common shares of the Company at market related prices.

Options to purchase 785,000 shares were outstanding as at February 28, 1997 as follows:

Number of shares	Expiry date	Exercise price
100,000	March 31, 1999	$1.70
40,000	January 30, 2000	3.00
40,000	April 15, 2000	1.95
480,000	December 14, 2000	1.35
25,000	May 29, 2001	3.00
100,000	December 11, 2001	2.25
785,000		

Crew Development Corporation - formerly Canadian Crew Energy Corporation - see Note 9
(a development stage company)

Notes to Consolidated Financial Statements

(expressed in Canadian dollars)

As at February 28, 1997 and August 31, 1996, the 6 months ended February 28, 1997, the years ended August 31, 1996 and 1995, and cumulative from inception to February 28, 1997.

Note 5 Share Capital (continued)

Information regarding the Company's stock options for each of the three fiscal periods ended February 28, 1997, August 31, 1996 and 1995 is summarized as follows:

	Number of shares		Exercise price
Outstanding on August 31, 1994	889,000	$	0.40 – 3.00
Granted	90,000		3.00 – 3.40
Exercised	(251,500)		0.40 – 3.00
Outstanding on August 31, 1995	727,500		0.69 – 3.40
Granted	575,000		1.35 – 3.00
Exercised	(10,000)		0.69
Cancelled	(90,000)		1.95 – 3.00
Outstanding on August 31, 1996	1,202,500		1.35 – 3.00
Granted	100,000		2.25
Exercised	(517,500)		1.35
Outstanding on February 28, 1997	785,000	$	1.35 – 3.00

Note 6 Income Taxes

The Company has non-capital losses carried forward for Canadian income tax purposes of approximately $3,125,000, which expire beginning in 1998 through to 2004. The potential for future tax benefits relating to these loss carry-forwards have not been recognized in these financial statements.

Note 7 Net Change in Non-Cash Operating Working Capital

		6 months ended February 28, 1997		Year ended August 31, 1996		Year ended August 31, 1995
Accounts receivable	**$**	**(17,053)**	$	9,400	$	(12,566)
Due from affiliated companies		**(666)**		-		-
Prepaid expenses		**-**		3,266		(3,266)
Accounts payable and accrued liabilities		**(10,783)**		(27,011)		6,786
Due to affiliated companies		**158,406**		8,113		-
	$	**129,904**	$	(6,232)	$	(9,046)

Crew Development Corporation - formerly Canadian Crew Energy Corporation - see Note 9
(a development stage company)

Notes to Consolidated Financial Statements

(expressed in Canadian dollars)

As at February 28, 1997 and August 31, 1996, the 6 months ended February 28, 1997, the years ended August 31, 1996 and 1995, and cumulative from inception to February 28, 1997.

Note 8 Other Related Party Transactions

The Company paid management fees and provided automobile allowances during the fiscal period ended February 28, 1997 of $68,033 (year ended August 31, 1996 - $129,548; 1995 - $127,333) to companies controlled by directors.

Management fees totalling $Nil were received from the Joint Venture during the fiscal period ended February 28, 1997 (year ended August 31, 1996 – $197,000; 1995 - $Nil).

Included in professional fees for the fiscal period ended February 28, 1997 were consulting fees paid to a director of the Company totalling $40,254 (year ended August 31, 1996 - $71,333; 1995 - $Nil).

Note 9 Change of Name

On March 21, 1997 the Company changed its name from Canadian Crew Energy Corporation to Crew Development Corporation.

Note 10 Change of Year End

The company has changed its year end to February 28 and therefore these financial statements are presented as at February 28, 1997 and for the six month fiscal period then ended.

The comparative figures are presented as at August 31, 1996 and 1995 and for the years then ended.

Note 11 Reconciliation to U.S. Generally Accepted Accounting Principles

These consolidated financial statements have been prepared in accordance with Canadian GAAP, which, in the case of the Company, conforms in all material respects with U.S. GAAP, except as set forth below:

a) Loss per share

Under U.S. GAAP, the loss per share is calculated using the weighted average number of shares and their equivalents outstanding during each year using the "treasury stock method" for stock options and warrants outstanding. Since the effect of applying the "treasury stock method" is antidilutive, the loss per share under U.S. GAAP is not different from the loss per share under Canadian GAAP.

b) Financial position

Under U.S. GAAP, the acquisition of a subsidiary from a related party would be recorded at the historical carrying value of the subsidiary without recognizing any increase for the fair value of the consideration given up. Accordingly, the Company's write-down of its proportionate interest in the Geothermal Project, deficit as at February 28, 1997 and investment in the Geothermal Project as at August 31, 1996 and 1995, and its share capital as at February 29, 1997, August 31, 1996 and 1995, would have been reduced by $499,999.

deficit ↓ 499 999
share cap. ↓ 499 999
net effect NIL

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Notes to Consolidated Financial Statements

(expressed in Canadian dollars)

As at February 28, 1997 and August 31, 1996, the 6 months ended February 28, 1997, the years ended August 31, 1996 and 1995, and cumulative from inception to February 28, 1997.

Note 11 Reconciliation to U.S. Generally Accepted Accounting Principles (continued)

c) Statements of cash flows

Under U.S. GAAP, the statements of changes in financial position are referred to as the statements of cash flows and reflect only cash transactions affecting financing and investing activities, whereas Canadian GAAP requires that non-cash activities be included in the statements. Under U.S. GAAP certain non-cash transactions would have been excluded from the statements of cash flows as follows:

	Cumulative from inception to February 28, 1997	**6 months ended February 28, 1997**	Year ended August 31, 1996	Year ended August 31, 1995
Increase (decrease) in cash				
Operating activities				
Net change in non-cash operating working capital	$ 98,708	**$ -**	$ -	$ -
Investing activities				
Expenditures on mineral properties	7,500	-	-	-
Purchase of capital assets	260,000	-	-	-
Acquisition of subsidiary, net of Cash acquired	499,860	-	-	-
Financing activities				
Issuance of common shares	(866,068)	-	-	-

d) Income taxes

Under U.S. GAAP, Statement of Financial Accounting Standard No. 109 requires that a deferred tax amount be recognized for loss carry-forwards. Although the Company has tax loss carry-forwards in various jurisdictions, due to uncertainty as to utilization prior to expiry, the deferred tax asset amounts would have been completely offset in theses financial statements by a valuation allowance.

Note 12 Subsequent Events

On June 27, 1997 the company invested 50,000,000 South African Rand ($15,515,000) to acquire a 50% interest in Metorex (Proprietary) Limited ("Metorex"), a South African company owning shares in operating companies mining gold, coal, and base metals. The investment comprises 50% of the shares for a consideration of $12,502,616 and an injection of shareholder loans in the amount of $3,012,384.

The effective date of the transaction is March 1, 1997 and as the Company's interest is structured to obtain joint control, the investment is to be recorded on a proportionate consolidation basis following acquisition.

Notes to Consolidated Financial Statements

(expressed in Canadian dollars)

As at February 28, 1997 and August 31, 1996, the 6 months ended February 28, 1997, the years ended August 31, 1996 and 1995, and cumulative from inception to February 28, 1997.

Note 12 Subsequent Events (continued)

The acquisition price for shares is as follows:

Preferred shares (50%)	$	100,848
Common shares (50%)		12,401,768
	$	12,502,616

In addition, under the terms of the purchase agreement, the company advanced unsecured loans to Metorex, with no fixed terms of repayment, as follows:

Interest bearing loan, 8 % per year	$	107,930
Non-interest bearing loan		2,904,454
	$	3,012,384

The allocation of the share purchase price to the 50% proportionate net assets at fair market value is, following acquisition, as follows:

Cash	$	5,563,950
Other current assets		1,562,035
Investments in associated companies		6,487,087
Capital assets		5,276,202
Other assets		17,050
Goodwill		1,472,500
Current liabilities		(1,943,688)
Other liabilities		(1,067,156)
		17,367,980
Less:		
Non-controlling interest		1,852,980
Loans advanced on acquisition		3,012,384
		4,865,364
Acquisition price	$	12,502,616

Notes to Consolidated Financial Statements

(expressed in Canadian dollars)

As at February 28, 1997 and August 31, 1996, the 6 months ended February 28, 1997, the years ended August 31, 1996 and 1995, and cumulative from inception to February 28, 1997.

Note 12 Subsequent Events (continued)

b) Subsequent to February 28, 1997 the company completed a brokered private placement comprising 8,000,000 units to net the company $17,440,843 after commissions and related expenses of $689,157.

Each unit entitles the holder to receive one common share without additional cost and one-half of a non-transferable share purchase warrant exercisable until September 18, 1998 on the terms as shown:

i) To a company controlled by directors of the Company

ii) To others

	Number of units	Price per unit	Number of shares	Price per share under warrants	Number of shares reserved for warrants
i)	1,000,000	$ 2.38	1,000,000	$ 2.75	500,000
ii)	7,000,000	2.25	7,000,000	2.75	3,500,000

c) On March 18, 1997 subject to the approval of the shareholders and regulatory authorities, the Company granted 1,270,000 stock options to directors and employees at a price of $2.70 exercisable to March 17, 2002.